

Streamlining Working Group

November 3, 2004, 12:00 p.m., Governor's Conference Room

Present: Nani Medeiros (Chair), Gail Kaito, Dean Uchida, Dave Rae, Meredith Ching, Harry Saunders, Stanford Carr, Karen Piltz, Harvey Goth, Ed Taira, Ed Okubo, Rick Manayan, Eric Crispin, Janice Takahashi

Recommendations are *italicized*.

The Administration is looking at various approaches to stimulate the development of affordable housing. Chapter 201G, HRS allows for the expedited processing of affordable housing projects at the State land use and county planning and zoning levels. However, 201G could be revised to provide: (1) time limits for federal, state, and county agencies to review housing project proposals; (2) more flexibility in defining affordable housing projects as a means to enhance project feasibility; and (3) protection from further raids of the HCDCH's housing funds to balance the State budget. Also under consideration are exemptions from general excise taxes for affordable rental projects constructed within the next 2-3 years to immediately stimulate such private sector development; an infusion of state funds to finance the development of affordable rental housing; and re-examining the role of the State Land Use Commission to eliminate duplicative land use reviews at the State and county levels. To provide more fairness, equity and predictability in establishing exactions for public facilities or services, the Administration is also working on a directive that would require State departments to substantiate the nexus and demonstrate how the impacted community would benefit.

A GET exemption could help but, alone, it does not provide sufficient incentive for private developers to develop affordable rental housing. Government exactions for sewer and schools alone today add \$15,000 per unit. Moreover, the construction of rental housing cannot be done without a subsidy. *The GET exemption should be expanded to include affordable for-sale housing since it is important to open up the overall supply of housing. The time period for the exemption should also be expanded to 4 or 5 years since it takes so long to get a project off the ground. The tax credit could be graduated based on the affordability of the units.* There has to be a whole list of incentives for rental housing because the subsidy is so great, such as DURF financing at reasonable rates.

An income tax credit similar to the one to stimulate construction and remodeling several years ago may be preferable to the GET exemption.

The counties would not support any "Act 15" type legislation. Developers should meet the county standards if they want the county to accept dedication and maintain the infrastructure. Chapter 201G already allows the developer and the county to negotiate exemptions up front (e.g., number of parking stalls). Imposing time limits for administrative review of the development application is fair. However, it could back fire on the developer. If the county agencies cannot meet the deadline, they may just reject the application. We should be looking at departmental reviews. Many agency reviews are extraneous and the scope of review could be reduced. The DOT, DOH and SHPO consistently do not respond in a timely manner for 201G requests so requests sometimes go to the Council without them. *There should be agreement that*

affordable housing is a state and county priority and keep administrative reviews to the basics. Use the general fund for schools and roads instead of requiring them of the projects.

It comes down to simple economics -- a question of supply and demand. On Oahu, less than 3,000 units were delivered in the last 5 years. In the 1970s, when Makiki was being built, there were 18,000 units delivered. Not enough total housing units have been delivered. *We need a push to develop all housing.* It is also a matter of capacity. Military privatization will be using the trades to do 1,000 units a year. We don't have enough of a skilled construction workforce. It takes special management to manage low-income rental housing. We don't have the property management companies like on the mainland; they won't come here because we don't have the numbers of units they need to manage. We also need to look at ohana units, although there are issues of aging infrastructure and parking.

We will need partnerships and a combination of incentives to address the affordable housing shortage. For-profit developers need to joint venture with nonprofit entities that can develop and manage affordable rental housing. Maui has been putting for profits together with nonprofits. Kauai provides "bonus credits" to developers that satisfy a unilateral agreement with more low-income units. *Allow developers to satisfy their affordable housing conditions off-site -- even on state or county land.* Even to get 500 rental units will be difficult (much less 17,000)

Scaling back the authority of the LUC would eliminate overlapping and duplicative reviews. The role of the LUC should be strategic planning at the macro level, releasing enough urban acreage for the county's long term needs without having to do a project by project review which happens at the county level. Consider eliminating the 15-acre threshold for county council review of district boundary amendments or increasing the threshold to 50 acres. This should be presented to the county planning directors.

On October 12, 2004, the City approved a third party review process whereby a third-party reviewer certifies to the completeness of the plans for review by the county. This addresses problem of multiple reviews by the administrative agency and serves to streamline the review/approval process. Can third party reviews address multiple agency reviews? Could a third party reviewer certify compliance with agency comments?